REPLY

OUTPERFORM

Sector: Industrials

Price: Eu104.30 - **Target: Eu136.50**

Double-Digit Organic Growth, Strong Cash Generation

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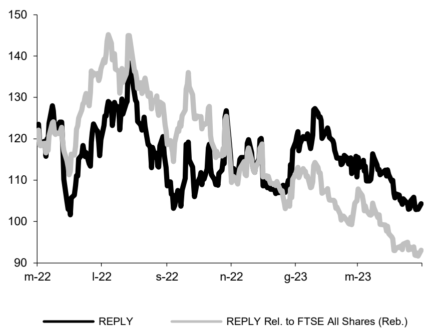
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2023E	**2024E**	**2025E**
Chg in Adj EPS	-0.2%	-0.2%	-0.1%

Next Event 1H23 results
Results Out 1 August 2023

REPLY - 12M Performance



Stock Data			
Reuters code:			REY.MI
Bloomberg code:			REY IM
Performance	**1M**	**3M**	**12M**
Absolute	-6.3%	-14.9%	-14.0%
Relative	-4.0%	-13.6%	-26.0%
12M (H/L)			138.30/101.60
3M Average Volume (th):			43.94

Shareholder Data	
No. of Ord shares (mn):	37
Total no. of shares (mn):	37
Mkt Cap Ord (Eu mn):	3,902
Total Mkt Cap (Eu mn):	3,902
Mkt Float - Ord (Eu mn):	2,146
Mkt Float (in %):	55.0%
Main Shareholder:	
Alika (Rizzante family)	39.8%

Balance Sheet Data	
Book Value (Eu mn):	1,135
BVPS (Eu):	30.37
P/BV:	3.4
Net Financial Position (Eu mn):	226
Enterprise Value (Eu mn):	3,676

- **Double-digit organic top-line growth continued in 1Q23.** Reply posted 1Q23 revenues of Eu520.6mn, up 18.1% YoY or 10.5% in organic terms (i.e. net of ForEx and M&A contributions) above our 10.0% forecast. Specifically, in Region 1 (61% of quarterly sales, mainly generated in Italy but also covering US activities), organic growth was 12.7% YoY: Italian activities performed strongly, offsetting a less brilliant US performance (US accounts for about 20% of Region 1 turnover); in Region 2 (20% of quarterly sales generated entirely in Germany), organic growth was 11.2%, while the contribution from newly-acquired Fincon was about Eu15.7mn; finally, in Region 3 (19% of quarterly sales, mainly generated in the UK but also in France and other regions), organic growth was just 2.8%, lower than expected, partly because the UK business faced a very tough comparison and partly because some industries, such as retail, experienced some volatility; on the other hand, turnover from newly acquired Wemanity was worth Eu20.9mn, higher than expected.
- **EBITDA margin at 15.6%, as expected, strong cash generation.** Quarterly EBITDA came to Eu81.0mn, bang in line with our estimates and up 14.3% YoY, a 15.6% margin on sales that corresponds to a 50bp YoY contraction, reflecting the dilutive impact from the consolidation of the recent acquisitions of Wemanity and Fincon (net of which the EBITDA margin would have stayed flat YoY). Below EBITDA, D&A were Eu0.9mn higher than expected, taking EBIT to Eu65.6mn, up 13.7% YoY. Net financial charges (Eu3.5m) were also higher than expected because they include Eu2.3mn related to the negative exchange rate difference from the translation of non-euro denominated balance sheet items. The net financial position was the most important quarterly surprise: net cash, excluding the impact of IFRS16, stood at Eu317mn as at the end of March 2023 after positive quarterly net cash generation of Eu121mn linked to favourable working capital seasonality.
- **Change in estimates.** In light of 1Q23 results, we are leaving our 2023-2025 forecasts unchanged, implying 10% like-for-like growth (with a minor rebalancing between Region 1 and Region 3) and an EBITDA margin consistent with the top end of management's indication for an EBITDA margin of 14-16%. It is worth noting that Reply, even after the important acquisitions announced in 2022, still has a net cash position and management is seeking new targets in the UK, US and Germany.
- **OUTPERFORM confirmed; target Eu136.5 unchanged.** 1Q23 results showed a continuation of Reply's convincing business momentum, highlighting sustainable organic double-digit revenue growth. Recent months have been characterized by huge growth in demand for new applications related to the use of artificial intelligence, an area to which Reply has been committed for a long time and has acquired a market-leading position. After the recent weak share performance, we strongly reiterate our positive view on the stock: in our view it trades at an unjustified discount to Accenture.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	1,484	1,891	2,169	2,385	2,623
EBITDA Adj (Eu mn)	263	340	344	383	423
Net Profit Adj (Eu mn)	151	191	202	227	253
EPS New Adj (Eu)	4.027	5.106	5.403	6.071	6.753
EPS Old Adj (Eu)	4.027	5.106	5.413	6.081	6.762
DPS (Eu)	0.800	1.000	1.100	1.200	1.300
EV/EBITDA Adj	19.0	13.7	10.7	9.2	7.8
EV/EBIT Adj	23.9	16.4	12.9	11.0	9.3
P/E Adj	25.9	20.4	19.3	17.2	15.4
Div. Yield	0.8%	1.0%	1.1%	1.2%	1.2%
Net Debt/EBITDA Adj	-0.7	-0.2	-0.7	-1.0	-1.4

Intermonte

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- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

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A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.
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OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;
NEUTRAL: stock performance expected at between +10% and – 10% compared to the market over a 12 month period;
UNDERPERFORM: stock expected to underperform the market by between –10% and -25% over a 12 month period;
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Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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OUTPERFORM:	51.67 %
NEUTRAL:	25.83 %
UNDERPERFORM	01.67 %
SELL:	00.00 %

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UNDERPERFORM	00.00 %
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Emittente	%	Long/Short

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